

November Review

The Fund's F Acc share class units returned 3.57% compared to the S&P 500 Index ETF return of 5.43% in sterling terms.

November saw markets come back with a vengeance, with a broad rally across the board. Bonds and equities were particularly strong as yields fell and the market responded positively to the benign CPI report and the distinct probability that the Federal Reserve is done raising interest rates; indeed, the market is pricing in the likelihood of rate cuts as early as May 2024. The equity market has begun to broaden out a bit which is a positive sign. Sectors like Real Estate, Financials and Utilities which have all been very bad performers this year rallied too and there are finally some signs of life coming from the banking sector, which is to be welcomed. In fact, one of our purchases this month is a bank, First Citizens Bancshares, which has taken on the assets of Silicon Valley Bank on very advantageous terms. This bank has a long history and is very well run, third generation of the same family, and is well placed to take on these assets and, alongside JP Morgan, is one of the FDIC's* preferred acquirers of distressed banks – should any more present themselves. The bull case doesn't rely on this however, rather continued execution on a much larger asset base.

We took the opportunity to buy Walmart and CostCo after the former reported a good quarter but sold off afterwards as did CostCo in sympathy. We believe both these stores stand to benefit greatly from the trade down theme that we are seeing in the US. Interestingly they are also benefitting from some trade up traffic. The dollar stores have had some major operational challenges this year and this has resulted in market share gains for Walmart and Costco, as they can cater for demand from all income levels.

The best contributors to return in the month were DraftKings and Fair Isaac, which both had very good quarters and continue to be amongst our top 5 positions. On the lagging side, Liberty Media, owner of Formula 1, was a disappointment. It did not participate in the November rally at all and has not acted well despite all the hype surrounding the Las Vegas F1 race which was hailed as the best of the season by the press. This holding is under review.

Market Outlook

The market outlook is positive, particularly given the broadening out in participation that we are now seeing. The Russell 2000 was +9.2% in November, its best month for a long time, and this was not just led by growth stocks. In fact, the Russell 2000 Value index was up almost the same as the Russell 2000 Growth Index, both rose just over 9%. This is another bullish sign, as value stocks often lead when a new cycle is starting.

Investors have confidence that the interest cycle is over, despite Chair Powell's recent comments about staying vigilant on inflation. The recovery in the bond market has been an important feature



of this past month and ends a period of significant stress for banks and other large holders of Treasuries.

Felix Wintle Fund Manager, VT Tyndall North American Fund, 30 November 2023

Data sources: Bloomberg

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